

## REMARKS

Claims 1-28, 96, 104-105, 113-115, and 124 are pending in the application.

### **Rejection under 35 U.S.C. § 103(a)**

#### **Recap of Prosecution Prior to Receipt of the Present Office Action**

The Examiner was relying on the cited prior art of U.S. Patent Application Publication No. U.S. 2002/0042770 A1 to Van Slyke et al. (“Van Slyke”) and U.S. Patent No. 5,970,479 to Shepherd (“Shepherd”) to reject Applicants’ claims 1-28, 104-105, 113-115, and 124 under 35 U.S.C. § 103(a). Accordingly, Applicants amended their claims to recite:

“establishing, on said trading system, a plurality of separate contracts within contract bundles, each contract bundle paying off an aggregate fixed sum at maturity, the aggregate fixed sum at maturity known when the contract bundles are established, and wherein each contract bundle comprises at least two separate contracts” (independent claim 1),

and

“[a] computer network-based contract trading system, including a communications interface, a plurality of processing modules for formation, sale, resale and settlement of separate contracts within contract bundles, each of said contract bundles comprising at least two separate contracts wherein each contract bundle pays off an aggregate fixed sum at maturity, the aggregate fixed sum at maturity known upon the formation of the contract bundles, “ (independent claim 28).

Applicants’ amended claims are patentable over U.S. Patent Application Publication No. US 2002/0042770 A1 to Van Slyke et al. (“Van Slyke”). Van Slyke does not teach or suggest *establishing a contract bundle paying off an aggregate fixed sum at maturity*. Instead, Van Slyke Paragraph Nos. 268-269 teaches establishing an *unbundled* Liquid Insurance Contract (“LIC”) that optionally may later be bundled with another

already established (and unbundled) LIC. Even if Van Slyke optionally bundles two already established LICs, this bundle will not *pay off an aggregate fixed sum at maturity, the aggregate fixed sum at maturity known upon the formation of the contract bundle*. Indeed, Van Slyke's abstract expressly states that (emphasis added): "A liquid insurance contract (LIC) comprises a security which is traded or tradable and which has cash flows to the issuer based upon a liability whose exact value is unknown at the time of issuance."

Further, Applicants' amended claims are patentable over U.S. Patent No. 5,970,479 to Shepherd ("Shepherd"). Shepherd does not teach or suggest paying off an *aggregate fixed sum* at the time of maturity. In relevant part, Shepherd col. 4, lines 18-21 states (emphasis added): "stakeholders can input contract data representing at least one offered contract in at least one predetermined phenomenon, each said phenomenon having a range of future outcomes."

Applicants' claims are supported by Applicants' specification. Specifically, referring to Applicants' specification (emphasis added):

[0037] The computer-network based system enables transactions relating to bundles of futures contracts, where each bundle includes at least two futures contracts, each of which corresponds to one of at least two future possible outcomes of a phenomenon at a time of maturity of the contracts. The futures contract bundles are defined to pay an aggregate fixed sum at maturity and each of constituent futures contracts pay the fixed sum at maturity upon the happening of the future possible outcome of the phenomenon associated with that particular risk management contract. Conversely, each of the risk management contracts pay a zero sum at maturity upon the non-happening of the future possible outcome of the phenomenon associated with that specific risk management contract.

[0062] A "contract bundle" is a collection of contracts whose aggregate payoff at date T in any state of nature is \$10. For instance, suppose  $S = \{s_1, s_2, s_3, s_4, s_5\}$  is a complete set of possible states for a given event. Then a bundle might consist of the set  $\{A, B, C, D, E\}$  of 5 contracts. In this example:

[0063] At time T, contract #1 (A) pays off \$10 if state s1 occurs, and \$0 otherwise.

[0064] At time T, contract #2 (B) pays off \$10 if state s2 occurs, and \$0 otherwise.

[0065] At time T, contract #3 (C) pays off \$10 if state s3 occurs, and \$0 otherwise.

[0066] At time T, contract #4 (D) pays off \$10 if state s4 occurs, and \$0 otherwise.

[0067] At time T, contract #5 (E) pays off \$10 if state s5 occurs, and \$0 otherwise.

[0068] Because the possible states for a given event {s1, s2, s3, s4, s5} are mutually exclusive, and because the set S includes all possible outcomes, one (but only one) of the states will be achieved at time T. Thus, regardless of which one of the states is achieved at time T, the aggregate value of the contract bundle will always be \$10.

Further, Applicants teach “an event contract may *pay off* either \$10 or \$0 depending on the outcome of a specified event. If a particular criteria is met (i.e. a particular outcome occurs), then the claim pays off \$10.” Application Paragraph No. 0055 (emphasis added). Thus, one contract in Applicants’ exemplary contract bundle is for the occurrence of the event and the other contract in the exemplary contract bundle is for the non-occurrence of the event. Accordingly, in this example, Applicants teach *paying off* an aggregate fixed sum at maturity of  $\$0 + \$10 = \$10$ .

### **The Present Office Action**

In the present Office Action, the Examiner acknowledges that “Shepherd and Slyke do not explicitly disclose each contract bundle paying off an aggregate fixed sum at maturity, the aggregate fixed sum known when the contract bundles are established.” Office Action, p. 4. Thus, the Examiner has now added U.S. Patent No. 7,206,755 to Muralidhar (“Muralidhar”) to reject Applicants’ claims 1-28, 104-105, 113-115, and 124 under 35 U.S.C. § 103(a). The Examiner asserts that “Muralidhar discloses derivatives (contract bundles) and paying off an aggregate fixed sum at maturity, the fixed sum known when contract bundles are established (providing a pre-specified payoff of a fixed

sum at maturity, col. 2 line 64 to col. 3 line 14; col. 4 lines 31-34; col. 6 lines 45-53).”  
Office Action, p. 4.

Applicants respectfully traverse the rejection. Muralidhar does not disclose contract bundles and paying off an aggregate fixed sum at maturity, the aggregate fixed sum known when contract bundles are established. Applicants set forth in entirety the Examiner’s citations and respectfully invite the Examiner to specify where in the following citations Muralidhar discloses derivatives (contract bundles) paying off an aggregate fixed sum at maturity, the fixed sum known when the contract bundles are established:

Muralidhar, col. 2 line 64 to col. 3 line 14:

Generally speaking, options represent the right to acquire or dispose a specified asset at a predetermined price within a defined time period. The predetermined price is referred to as the "strike price" and the date on which the option ceases to be effective is called its maturity/expiration date. These parameters, along with the current market value of the underlying asset, largely determine the value of the option. Other factors in the valuation are the volatility of the value of the underlying asset (a measure of the probability that the current value will be favorable vis-a-vis the strike price) and the interest rate (to quantify the carrying cost or the cost of financing the purchase). For a detailed discussion on options, see John Hull "Options, Futures and Other Derivative Securities," Prentice Hall--Chapter 7.

Alternative forms of options have included those that provide a pre-specified payoff when an event occurs during a defined time period.

Muralidhar, col. 4 lines 31-34:

And an additional object of the invention relates to the creation, marketing, trading and valuation of derivative financial instruments based on various attendance right options.

Muralidhar, col. 6 lines 45-53:

In accordance with the invention, an option is preferably an event-strike option with the following characteristics: the individual purchaser of the option acquires the right to purchase tickets at a predetermined price (or the payoff) from the seller of the option, should the competitor on whom they chose the option advance to a pre-specified higher round of competition (or the strike event). The maturity of the option is the date on which it is finally/irrevocably decided whether the competitor progresses or not. If the competitor on whom the option was purchased does not qualify for the specified of competition, the option expires worthless and the owner of the option receives no compensation.

As evidenced by the above, Muralidhar does not disclose contract bundles paying off an aggregate fixed sum at maturity, the aggregate fixed sum known when the contract bundles are established.

To the extent the Examiner believes that contract bundles paying off an aggregate fixed sum at maturity is inherently described by Muralidhar, the Examiner is respectfully reminded that under MPEP §2112: “[t]o establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.’”

Thus, for Muralidhar to inherently describe Applicants’ contract bundles paying off an aggregate fixed sum at maturity, extrinsic evidence must make clear that Applicants’ element is necessarily present in “the thing” described in Muralidhar. Additionally, for anticipation, “[t]he identical invention must be shown in as complete detail as is contained in the ... claim.” Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1236, 9 USPQ2d 1913, 1920 (Fed. Cir. 1989). Respectfully, the Examiner cannot satisfy these burdens.

To the extent the Examiner may feel the Applicants should guess where Muralidhar teaches or suggests Applicants' contract bundles paying off an aggregate fixed sum at maturity, the Examiner is respectfully reminded, pursuant to 35 U.S.C. §132 (a), whenever a claim for a patent is rejected, the Examiner is required to provide the applicant with the reasons for such a rejection, with "such information and references as may be useful in judging of the propriety of continuing the prosecution of the application." A rejection violates 35 U.S.C. §132 when it "is so uninformative that it prevents the applicant from recognizing and seeking to counter the grounds for rejection." Chester v. Miller, 906 F.2d 1574, 1578 (Fed. Cir. 1990). Further, "[w]hen a reference is complex or shows or describes inventions other than that claimed by the applicant, the particular part relied on must be designated as nearly as practicable. The pertinence of each reference, if not apparent, must be clearly explained and each rejected claim specified." (37 C.F.R. §104(c)(2)). Consequently, if the Examiner sustains the present rejection based on Muralidhar, the Examiner is respectfully requested to articulate the rejection in terms that will comply with the herein cited provisions.

Applicants respectfully remind the Examiner that, per MPEP §706.07, "[t]he applicant who is seeking to define his or her invention in claims that will give him or her the patent protection to which he or she is justly entitled should receive the cooperation of the examiner to that end" and "[t]he examiner should never lose sight of the fact that in every case the applicant is entitled to a full and fair hearing, and that a clear issue between applicant and examiner should be developed, if possible, before appeal." Applicants respectfully seek the Examiner's cooperation and a full and fair hearing in order to define the claims, and respectfully submit that the present rejection based on Muralidhar be withdrawn.

Additionally, as independent claim 28 includes similar elements to those of independent claim 1, claim 28 is likewise patentable for at least the same reasons. Furthermore, as a dependent claim incorporates by reference all the limitation of the claim from which it depends (see 35 U.S.C. § 112 ¶ 4), claims 2-27, 96, 104-105, 113-

115, and 124 are allowable for at least the same reasons as the independent claim from which they depend.



## CONCLUSION

Based on the foregoing remarks, Applicants believe the application is in condition for allowance. If the Examiner has questions regarding the case, the Examiner is invited to contact Applicants' undersigned representative at the number given below.

Respectfully submitted,  
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